

**RESOLUTION NO. 20557 (N.C.S.)**

**RESOLUTION AUTHORIZING THE CITY MANAGER TO SIGN A PROFESSIONAL SERVICES AGREEMENT WITH CORVEL ENTERPRISE COMP, INC. FOR THE ADMINISTRATION OF THE CITY'S WORKERS' COMPENSATION PROGRAM.**

BE IT RESOLVED BY THE CITY COUNCIL OF SALINAS that the City Manager is authorized and directed for and on behalf of the City of Salinas to sign the attached Professional Services Agreement between the City of Salinas, a municipal corporation, and CorVel Enterprise Comp, Inc., for workers' compensation third party administrative services from July 1, 2014 until June 30, 2017.

PASSED AND ADOPTED this 20<sup>th</sup> day of May 2014, by the following vote:

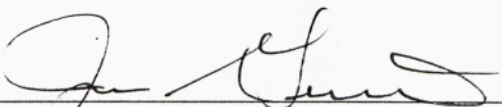
AYES: Councilmembers: Castañeda, Craig, De La Rosa, Lutes, McShane, and Mayor Gunter

NOES: None

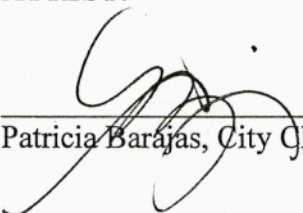
ABSENT: Councilmember Barrera

ABSTAIN: None

APPROVED:

  
\_\_\_\_\_  
Joe Gunter, Mayor

ATTEST:

  
\_\_\_\_\_  
Patricia Barajas, City Clerk

**AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN  
THE CITY OF SALINAS AND CORVEL ENTERPRISE COMP, INC.**

This Agreement for Professional Services (the "Agreement") is made and entered into this 20<sup>th</sup> day of May, 2014, by and between the **CITY OF SALINAS**, a California charter city and municipal corporation (hereinafter "City"), and **CORVEL ENTERPRISE COMP, INC.**, a Delaware corporation, (hereinafter "CorVel").

**RECITALS**

**WHEREAS**, CorVel represents that it is specially trained, experienced, and competent to perform the special services which will be required by this Agreement; and

**WHEREAS**, CorVel is willing to render such professional services, as hereinafter defined, on the following terms and conditions.

**NOW, THEREFORE**, City and CorVel agree as follows:

**TERMS**

1. **Description of Project and Scope of Service.** The scope of services to be provided by CorVel through the term of this Agreement are described in **Exhibit A**, attached hereto and incorporated herein by reference. All terms and conditions described in Exhibit A (the "Scope of Work") are incorporated into this Agreement by reference, except that in the event of any conflict between the Agreement and the Scope the terms and conditions of this Agreement shall control.

2. **Term; Completion Schedule.** This Agreement shall commence on July 1, 2014, and shall terminate on June 30, 2017, unless extended in writing by either party upon thirty (30) days written notice. This Agreement may be extended only upon mutual written consent of the parties, and may be terminated only pursuant to the terms of this Agreement. CorVel shall fully comply with all timelines for performance of its consulting services set forth in **Exhibit A**.

3. **Compensation.** City hereby agrees to pay CorVel for services competently and satisfactorily rendered pursuant to this Agreement as follows:

(A) **Payment of Compensation.** The City shall compensate CorVel pursuant to this section on a monthly basis per the City's fiscal year, which is measured from July 1 through June 30.

(B) **Claims Administration.** For Claims Administration services provided to the City pursuant to this Agreement the City shall compensate CorVel as follows:

**Year One:** For the first year of this Agreement, the total amount of compensation to be paid by the City to CorVel for Claims Administration services shall be one hundred ninety-eight thousand two hundred sixty-seven dollars (\$198,267).

Year Two: For the second year of this Agreement, the total amount of compensation to be paid by the City to CorVel for Claims Administration services shall be two hundred four thousand two hundred fifteen dollars (\$204,215).

Year Three: For the third year of this Agreement, the total amount of compensation to be paid by the City to CorVel for Claims Administration services shall be two hundred ten thousand three hundred forty one dollars (\$210,341).

If at the end of the initial term the City opts to extend the Agreement for an additional two (2) year term, CorVel may increase its fee. However, such compensation shall not exceed three (3%) each year.

- (C) **Bill Review.** For Bill Review services the City shall compensate CorVel a fee of twenty dollars (\$20.00) per bill reviewed (includes all bill types "Medical Bill Review Services" and pharmacy fees as described hereunder in Exhibit B "Fees"). Said fee is inclusive of actual bill review, State EDI, Scanning/OCR and check writing. This will be the maximum compensation allowed for bill review, no other fees will be allowed. CorVel will provide a monthly bill review summary and savings report.
- (D) **Reduction in Compensation for Cause.** In addition to those remedies set forth elsewhere in this Agreement, any violation of the terms and conditions of this Agreement shall be identified in writing by the City. After a thirty (30) day resolution period, commencing date of mailing of the written notice, if CorVel has not cured to the satisfaction of City such violation(s), and/or continued violations by CorVel shall result in a 10% monthly reduction fees until the condition is resolved to the satisfaction of the City.
- (E) **Data Transfer Fees.** The City shall not be subject to any data transfer fees, implementation costs, or other related fees or costs.

4. **Billing.** CorVel shall submit to City an itemized invoice, prepared in a form satisfactory to City, describing its services and costs for the period covered by the invoice. Except as specifically authorized by City, CorVel shall not bill City for duplicate services performed by more than one person. CorVel's bills shall include the following information to which such services cost or pertain:

- a. A brief description of services performed;
- b. The date the services were performed;
- c. A brief description of any costs incurred; and
- d. The signature of an authorized representative of CorVel.

Any such invoices shall be in full accord with any and all applicable provisions of this Agreement.

City shall make payment on each such invoice within thirty (30) days of receipt; provided, however, that if CorVel submits an invoice which is incorrect, incomplete, or not in accord with the provisions of this Agreement, City shall not be obligated to process any payment to CorVel until thirty

(30) days after a correct and complying invoice has been submitted by CorVel. The City shall process undisputed portion immediately.

5. **Additional Copies.** If City requires additional copies of reports, or any other material which CorVel is required to furnish as part of the services under this Agreement, CorVel shall provide such additional copies as are requested, and City shall compensate CorVel for the actual costs related to the production of such copies by CorVel.

6. **Responsibility of CorVel.** In addition to those services identified in **Exhibit A**, CorVel shall have the following responsibilities with respect to this Agreement:

(A) By executing this Agreement, CorVel agrees that the services to be provided and work to be performed under this Agreement shall be performed in a fully competent manner. By executing this Agreement, CorVel further agrees and represents to City that CorVel possesses, or shall arrange to secure from others, all of the necessary professional capabilities, experience, resources, and facilities necessary to provide the City the services contemplated under this Agreement and that City relies upon the professional skills of CorVel to do and perform CorVel's work. CorVel further agrees and represents that CorVel shall follow the current, generally accepted practices in this area to make findings, render opinions, prepare factual presentations, and provide professional advice and recommendations regarding the projects for which the services are rendered under this Agreement.

(B) CorVel shall assign a single Project Director to have overall responsibility for the execution of this Agreement. Michael Saverien, is hereby designated as the Project Director for CorVel. Any changes in the Project Director designee shall be subject to the prior written acceptance and approval of the City Manager and/or designee.

(C) **Additional Services and Fees.** Upon request of the City, CorVel may from time to time provide or secure services to the City in addition to those services otherwise specified in this Agreement. The general terms and conditions of those additional services are as follows. The costs for such additional services shall be as mutually agreed upon by the City and by CorVel.

Safety and Health Consulting Services;  
Industrial Hygiene Services;  
Field Investigation and Outside Services/Field Case Management;  
Special or Additional Computer Information;  
Immediate Field Intervention Program; and  
Medical Management/Utilization Review Services.

7. **Performance Criteria.** CorVel's performance under this Agreement, and the compensation to be paid by the City to CorVel for services rendered, shall be subject to the following performance criteria and the performance criteria set forth in **Exhibit A**. CorVel's failure to fully comply with the following performance criteria shall be considered a material breach of this Agreement for which the City may be justified in withholding compensation or in terminating this Agreement pursuant to Section 15.

- (A) Staffing. Throughout the entire term of this Agreement, and any renewal hereof, CorVel shall maintain staffing levels of sufficient experience to adequately perform its obligations under this Agreement and for which the City is paying compensation. The account team to be made available to the City pursuant to this Agreement shall at a minimum include owners of CorVel, an IT Manager (Data Processing Manager), the Account Manager, Claims Manager, Claims Supervisor, two Senior Claims Examiners, and a Claims Assistant. CorVel further agrees to allow the City to be involved in the selection of staff assignments to the City's claims Handling Team. Including the reasonable right of the City to refuse a proposed assignment. The City shall have the right to review the service provided by the examiner and to require a new examiner if the service provided is unacceptable to the City. The caseload of each Claims Examiner assigned to the City's account shall not exceed one hundred fifty (150) open indemnity claims.
- (B) Timely Filing. CorVel shall timely perform all of its obligations under this Agreement including, but not limited to, timely filings required under the Workers' Compensation laws. The City and CorVel therefore expressly agree that (i) any penalties, interest, and fines arising under the Workers' Compensation laws caused by the failure of CorVel to the extent of its negligence, errors or omissions to perform its obligations under this Agreement shall be the responsibility of and shall be paid by CorVel or shall be reimbursed to the City within 90 days of the City's payment; and (ii) any penalties, interest, and fines arising under the Workers' Compensation laws caused by the failure of the City to the extent of its negligence, errors or omissions to perform its obligations under this Agreement, or by late filings made or other act or omission of CorVel taken at the direction of the City, shall be paid by the City.
- (C) Notice of Penalties. CorVel agrees to use its best efforts to promptly notify the City of situations it discovers which may result in fines, interest, or penalties being assessed.
- (D) Customer Service. CorVel shall at a minimum communicate with the City's Human Resources staff once per week, with an understanding that communication may need to occur on a daily basis. Further, CorVel agrees that it shall respond to written or verbal communications from the City within eight (8) business hours of receipt. At a minimum, CorVel supervisors will attend a 90-day quarterly meeting in which all active claims for all City departments are discussed. CorVel agrees to provide training workshops to review and update the City on Workers' Compensation benefits, rules and regulations, and legislative issues up to a maximum of twenty-five (25) hours per year at no cost as part of this agreement.
- (E) Staff Training. CorVel shall ensure that all staff members assigned to the City's Claims Administration account are properly and sufficiently trained and knowledgeable to work on the City's account and further agrees that all such staff members assigned to the City's account shall receive annual training to ensure the maintenance of their knowledge and skill to perform the work and to provide the services for which the City has agreed to compensate CorVel.
- (F) Electronic Access to Reports. Upon the execution of CorVel's stand alone CareMC License Agreement, CorVel shall provide the City up to five users with on-line access to all reports and summaries prepared on its behalf through CorVel's CareMC Application. The electronic database or reports and summaries shall be updated on no less than a monthly basis.

(G) Storage of Claims. CorVel agrees to store for a period of five (5) years after claims are closed and/or settled pursuant to California statutes . Storage beyond that (a) if City requests to be stored for additional time will be billed at the current storage rate of the storage vendor with no additional mark-up by CorVel. or; (b) City will make the determination whether to have the closed or settled claims destroyed or to have the closed and/or settled claims stored electronically at the cost to be billed at the vendor's rate with no additional mark-up by CorVel, or to have the claims stored at the City. CorVel shall notify the City of stored claims that are older than state statute requirements.

8. Responsibility of City. To the extent appropriate to the projects to be completed by CorVel pursuant to this Agreement, City shall:

(A) Assist CorVel by placing at his disposal all available information pertinent to this Agreement, including but not limited to, previous reports and any other data relative to this Agreement. Nothing contained herein shall obligate City to incur any expense in connection with completion of any work or acquisition of information not otherwise in the possession of City.

(B) The City Manager or his/her designee, shall act as City's representative with respect to the work to be performed under this Agreement. Such person shall have the complete authority to transmit instructions, receive information, interpret and define City's policies and decisions with respect to materials, equipment, elements, and systems pertinent to CorVel's services. City may unilaterally change its representative upon notice to CorVel.

(C) Give prompt written notice to CorVel whenever City observes or otherwise becomes aware of any failure to perform.

(D) Promptly report all employee injuries and forward to CorVel the City's Report of Occupational Injury or Illness, all letters, correspondence, or any other information, oral or written, received by the city which is or could be relevant to the efficient and proper handling of any reported injury.

(E) Maintain or participate in a pooled or trust account which shall at all times maintain sufficient funds to enable CorVel to make timely payments of claims, allocated loss expenses, and all other amounts which CorVel is authorized or required to make pursuant to this Agreement or otherwise on behalf of the City.

9. Indemnification and Hold Harmless. CorVel shall indemnify, defend, and hold City and its officers, employees, and agents harmless from and against any and all third party liabilities, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life, or damage to any property, or violation of any relevant federal, state or municipal law or ordinance, or other cause in connection with the negligent, recklessness or intentional acts or omission of CorVel, its employees, subcontractors or agents, or on account of the performance or character of the work, except for any such claim arising from the negligence or willful misconduct of the City, its officers, employees or agents. Acceptance of insurance certificates and endorsements required under this Agreement does not relieve CorVel from liability under this indemnification and hold harmless clause.

This indemnification and hold harmless clause shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

Conditions. The parties' indemnification obligations under this Section 9 are contingent upon: (i) the indemnified party giving prompt written notice to the indemnifying party of any claim under this Section (provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent, and only to the extent, that the indemnifying party shall have been actually prejudiced as a result of such failure), (ii) the indemnifying party having the right, but not the obligation, to assume sole control of the defense or settlement of the claim, and (iii) at the indemnifying party's request and expense, the indemnified party cooperating in the investigation and defense of such claim(s). If the indemnifying party assumes the defense of any claim hereunder, the indemnified party shall be entitled to participate in (but not control) such defense and to retain its own counsel, at its own expense. The indemnifying party shall not settle or consent to an adverse judgment in any such claim that adversely affects the rights or interests of the indemnified party or imposes additional obligations on the indemnified party, without the prior express written consent of the indemnified party.

CorVel shall reimburse the City for all costs and expenses (including, but not limited to reasonable fees and charges of attorneys and other professionals, in addition to court costs) incurred by the City in enforcing the provisions of this section.

The provisions of this Section 10 shall survive any termination of this Agreement.

**10. Insurance.**

(A) CorVel shall, throughout the duration of this Agreement, maintain comprehensive general liability and property insurance covering all operations of CorVel, its agents and employees, performed in connection with this Agreement including but not limited to premises and automobile.

(B) CorVel shall maintain the following limits:

*a. General Liability*

- i. Combined Single Limit Per Occurrence.....\$1 million, or the maximum limits of coverage under the policy, whichever is greater*
- ii. General Aggregate.....\$2 million, or the maximum limits of coverage under the policy, whichever is greater*
- iii. (The policy shall cover on an occurrence or an accident basis, and not on a claims made basis.)*

*b. Automobile Liability*

- i. Combined Single Limit Per Occurrence.....\$1 million, or the maximum limits of coverage under the policy, whichever is greater*
- ii. (The policy shall cover on an occurrence or an accident basis, and not on a claims made basis.)*

- c. *Workers' Compensation.....Full Liability Coverage*
- d. *Professional Errors and Omissions.....\$1 million (no more than \$100,000 deductible), or the maximum limits of coverage under the policy, whichever is greater*
  - i. ***(Consultant shall not disclaim responsibility or avoid liability for the acts or omissions of its subcontractors or other professional consultants. The retroactive date of the policy must be shown and must be before the date of the Agreement.)***

- (C) All insurance companies with the exception of "Workers' Compensation" and "professional errors and omissions" affording coverage to CorVel shall be required to add the City of Salinas, its officers, employee, and agents as additional "insured" by endorsement under the insurance policy and shall stipulate that this insurance policy will operate as primary insured for the work performed under this Agreement and that no other insurance affected by the City or other named insured will be called upon to contribute to a loss covered thereunder. The policy shall contain no special limitations on the scope of protection afforded to City, its officers, employees or agents.
- (D) All insurance companies affording coverage to CorVel shall be insurance organizations authorized by the Insurance Commissioner to transact the business of insurance in the State of California.
- (E) All insurance companies affording coverage shall provide thirty (30) days written notice by certified or registered mail to the City of Salinas should the policy be canceled or reduced in coverage before the expiration date. For the purpose of this notice requirement, any material change prior to expiration shall be considered cancellation.
- (F) CorVel shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance, in a form satisfactory to the City, concurrently with the submittal of this Agreement. A statement on the insurance certificate which states that the insurance company "will endeavor" to notify the certificate holder, "but failure to mail such notice shall impose no obligation or liability of any kind upon CorVel, its agents or representatives" does not satisfy the requirements of this subsection. CorVel shall ensure that the authorized representative of the insurance company strikes the above quoted language from the certificate.
- (G) CorVel shall provide a substitute certificate of insurance no later than ten (10) days prior to the policy expiration date. Failure by CorVel to provide such a substitution and extend the policy expiration date shall be considered default by CorVel. In the event CorVel is unable to provide a substitute certificate of insurance within the time prescribed in this subsection, CorVel shall provide written confirmation of renewal, in a form satisfactory to the City, to act as proof of insurance only until such time as a certificate of insurance has been received by the City.

(H) Maintenance of insurance by CorVel as specified in this Agreement shall in no way be interpreted as relieving CorVel of any responsibility whatever and CorVel may carry, at its own expense, such additional insurance as it deems necessary.

11. **Access to Records.** CorVel shall maintain all preparatory books, records, documents, accounting ledgers, and similar materials including but not limited to calculation and survey notes relating to work performed for the City under this Agreement on file for at least three (3) years following the date of final payment to CorVel by City. Any duly authorized representative(s) of City shall have access to such records for the purpose of inspection, audit, and copying at reasonable times during CorVel's usual and customary business hours. CorVel shall provide proper facilities to City's representative(s) for such access and inspection.

12. **Assignment.** It is recognized by the parties hereto that a substantial inducement to City for entering into this Agreement was, and is, the professional reputation and competence of CorVel. This Agreement is personal to CorVel and shall not be assigned by it without express written approval of the City.

13. **Changes to Scope of Work.** City may at any time, and upon a minimum of ten (10) days written notice, seek to modify the scope of services to be provided pursuant to this Agreement. CorVel shall, upon receipt of said notice, determine the impact on both time and compensation of such change in scope and notify City in writing. Rate of compensation shall be based upon the compensation rates set forth in Section 3 of this Agreement. Upon agreement between City and CorVel as to the extent of said impacts to time and compensation, an amendment to this Agreement shall be prepared describing such changes. Execution of the amendment by City and CorVel shall constitute CorVel's notice to proceed with the changed scope.

14. **Notice to Proceed; Progress; Completion.** Approval of this Agreement by both parties shall be authorization to CorVel to render the services contemplated herein.

15. **Termination.**

(A) City shall have the authority to terminate this Agreement, upon written notice to CorVel, as follows:

1. If in the City's opinion the conduct of CorVel is such that the interest of the City may be impaired or prejudiced, upon no less than thirty (30) days' written notice, and CorVel has not cured such conduct to the satisfaction of City within that thirty (30) day period;  
or
2. For any reason whatsoever, upon no less than ninety (90) days' written notice.

(B) CorVel shall have the authority to terminate this Agreement, upon written notice to City, as follows:

1. If the City is delinquent in payment for undisputed service fees, CorVel may upon no less than thirty (30) days written notice to City terminate the Agreement if City does not cure such breach of non-payment to the satisfaction of CorVel.

(C) Upon termination, CorVel shall be entitled to payment of such amount as fairly compensates CorVel for all work satisfactorily performed up to the date of termination based upon the rates of compensation set forth in Section 3 of this Agreement, except that:

1. In the event of termination by the City for CorVel's default, City shall deduct from the amount due CorVel the total amount of additional expenses incurred by City as a result of such default. Such deduction from amounts due CorVel are made to compensate City for its actual additional costs incurred in securing satisfactory performance of the terms of this Agreement, including but not limited to, costs of engaging another consultant(s) for such purposes. In the event that such additional expenses shall exceed amounts otherwise due and payable to CorVel hereunder, CorVel shall pay City the full amount of such expense.

(D) In the event that this Agreement is terminated by City for any reason, CorVel shall:

1. Upon receipt of written notice of such termination promptly cease all services on this project, unless otherwise directed by City; and
2. Deliver to City all documents, data, reports, summaries, correspondence, photographs, computer software output, video and audio tapes, and any other materials provided to CorVel or prepared by or for CorVel or the City in connection with this Agreement. Such material is to be delivered to City in completed form; however, notwithstanding the provisions of Section 11 herein, City may condition payment for services rendered to the date of termination upon CorVel's delivery to the City of such material.

(E) In the event that this Agreement is terminated by City for any reason, City is hereby expressly permitted to assume the projects and complete them by any means, including but not limited to, an agreement with another party.

(F) The rights and remedy of the City and CorVel provided under this Section are not exclusive and are in addition to any other rights and remedies provided by law or appearing in any other section of this Agreement.

**16. Audit and Examination of Accounts.**

(A) CorVel shall keep and will cause any assignee under this Agreement to keep accurate books of record in account, in accordance with sound accounting principles, which records pertain to services to be performed under this Agreement.

(B) Any audit conducted of books and records and accounts shall be in accordance with generally accepted professional standards and guidelines for auditing.

(C) All records provided for in this section are to be maintained and made available throughout the performance of this Agreement and for a period of not less than three (3) years after full completion of services hereunder, except that any and all such records which pertain to actual disputes, litigation, appeals or claims shall be maintained and made available for a period of not less than five (5) years after final resolution of such disputes, litigation, appeals or claims.

17. **Compliance with Laws, Rules, and Regulations.** Services performed by CorVel pursuant to this Agreement shall be performed in accordance and full compliance with all applicable federal, state, and City laws and any rules or regulations promulgated thereunder.

18. **Exhibits Incorporated.** All exhibits referred to in this Agreement and attached to it are hereby incorporated in it by this reference. In the event there is a conflict between any of the terms of this Agreement and any of the terms of any exhibit to the Agreement, the terms of the Agreement shall control the respective duties and liabilities of the parties.

19. **Independent Contractor.** It is expressly understood and agreed by both parties that CorVel, while engaged in carrying out and complying with any of the terms and conditions of this Agreement, is an independent contractor and not an employee of the City. CorVel expressly warrants not to represent, at any time or in any manner, that CorVel is an employee or servant of the City.

20. **Integration and Agreement.** This Agreement represents the entire understanding of City and CorVel as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters contained herein. This Agreement may not be modified or altered except by amendment in writing signed by both parties.

21. **Jurisdiction.** This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction of litigation arising from this Agreement shall be in the State of California, in the County of Monterey, or in the appropriate federal court with jurisdiction over the matter.

22. **Severability.** If any part of this Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it is in conflict with said laws, but the remainder of the Agreement shall continue to be in full force and effect.

23. **Notices.**

(A) Written notices to the City hereunder shall, until further notice by City, be addressed to:

City Manager  
City of Salinas  
200 Lincoln Avenue  
Salinas, California 93901

With a Copy to:

City Attorney  
City of Salinas  
200 Lincoln Avenue  
Salinas, California 93901

(B) Written notices to CorVel shall, until further notice by CorVel, be addressed to:

CorVel Corporation  
2010 Main Street Suite 600  
Irvine, CA 92614  
Attn: Sharon O'Connor, Director of Legal Services

(C) The execution of any such notices by the City Manager, or his/her designee of the City shall be effective as to CorVel as if it were by resolution or order of the City Council, and CorVel shall not question the authority of the City Manager to execute any such notice.

(D) All such notices shall either be delivered personally to the other party's designee named above, or shall be deposited in the United States Mail, properly addressed as aforesaid, postage fully prepaid, and shall be effective the day following such deposit in the mail.

24. **Nondiscrimination.** During the performance of this Agreement, CorVel shall not discriminate against any employee or applicant for employment because of race, color, religion, ancestry, creed, sex, national origin, familial status, sexual orientation, age (over 40 years) or disability. CorVel shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, ancestry, creed, sex, national origin, familial status, sexual orientation, age (over 40 years) or disability.

25. **Conflict of Interest.** CorVel warrants and declares that it presently has no interest, and shall not acquire any interest, direct or indirect, financial or otherwise, in any manner or degree which will render the services required under the provisions of this Agreement a violation of any applicable local, state or federal law. CorVel further declares that, in the performance of this Agreement, no subcontractor or person having such an interest shall be employed. In the event that any conflict of interest should nevertheless hereinafter arise, CorVel shall promptly notify City of the existence of such conflict of interest so that City may determine whether to terminate this Agreement. CorVel further warrants its compliance with the Political Reform Act (Government Code section 81000 et seq.) and Salinas City Code Chapter 2A that apply to CorVel as the result of CorVel's performance of the work or services pursuant to the terms of this Agreement.

26. **Headings.** The section headings appearing herein shall not be deemed to govern, limit, modify, or in any manner affect the scope, meaning or intent of the provisions of this Agreement.

27. **Attorney's Fees.** In case suit shall be brought to interpret or to enforce this Agreement, or because of the breach of any other covenant or provision herein contained, the prevailing party in such

action shall be entitled to recover their reasonable attorneys' fees in addition to such costs as may be allowed by the Court. City's attorneys' fees, if awarded, shall be calculated at the market rate.

**28. Non-Exclusive Agreement.** This Agreement is non-exclusive and both City and CorVel expressly reserves the right to contract with other entities for the same or similar services, with the exception of the claims administration services and the bill review services.

**29. Rights and Obligations Under Agreement.** By entering into this Agreement, the parties do not intend to create any obligations express or implied other than those set out herein; further, this Agreement shall not create any rights in any party not a signatory hereto.

**30. Licenses.** If a license of any kind, which term is intended to include evidence of registration, is required of CorVel, its representatives, agents or subcontractors by federal, state or local law, CorVel warrants that such license has been obtained, is valid and in good standing, and that any applicable bond posted in accordance with applicable laws and regulations.

**31. Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute a single agreement.

**32. Legal Representation.** Each party affirms that it has been represented by legal counsel of its own choosing regarding the preparation and the negotiation of this Agreement and the matters and claims set forth herein, and that each of them has read this Agreement and is fully aware of its contents and its legal effect. Neither party is relying on any statement of the other party outside the terms set forth in this Agreement as an inducement to enter into this Agreement.

**33. Joint Representation.** The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any party. No presumptions or rules of interpretation based upon the identity of the party preparing or drafting the Agreement, or any part thereof, shall be applicable or invoked.

**34. Warranty of Authority.** Each party represents and warrants that it has the right, power, and authority to enter into this Agreement. Each party further represents and warrants that it has given any and all notices, and obtained any and all consents, powers, and authorities, necessary to permit it, and the persons entering into this Agreement for it, to enter into this Agreement.

**35. No Waiver of Rights.** Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement. The failure to provide notice of any breach of this Agreement or failure to comply with any of the terms of this Agreement shall not constitute a waiver thereof. Failure on the part of either party to enforce any provision of this Agreement shall not be construed as a waiver of the right to compel enforcement of such provision or any other provision. A waiver by the City of any one or more of the conditions of performance under this Agreement shall not be construed as waiver(s) of any other condition of performance under this Agreement.

IN WITNESS WHEREOF, the parties hereto have made and executed this Agreement on the date first written above.

CITY OF SALINAS

Ray E. Corpuz, Jr., City Manager

Date

5-21-14

APPROVED AS TO FORM:

Christopher A. Callihan, City Attorney

Date

5/15/2014

CorVel Enterprise Comp, Inc.

By:

Its:

By:

Its:

Date

Date

**EXHIBIT A – SCOPE OF WORK**  
**Workers' Compensation Claims Management Services**  
**Terms and Conditions**

**I. DESCRIPTION OF WORKERS' COMPENSATION CLAIMS MANAGEMENT SERVICES**

- (a) Customer shall promptly notify CorVel of all incidents subject to the services described in this Agreement.
- (b) First report of loss services involve gathering pertinent information related to a work injury and reporting such information to the appropriate state industrial accident board or commission as required by law, and is used to facilitate CorVel's initial review of the claim to determine whether the claim is likely to be medical-only or lost time and to help guide the initial determination of Services that may be required ("First Report Services").
- (c) CorVel's Workers' Compensation Claims Management services provide Customer with a process to comply with Customer's workers' compensation issues in the applicable jurisdiction. CorVel shall provide workers' compensation claims management services set forth herein to Customer on behalf of employees that sustain work related injuries ("Injured Employees"). CorVel may subcontract with a third party to provide some portion of its claims management services obligations hereunder with the prior written consent of Customer.

**II. DELIVERY OF FIRST REPORT OF LOSS SERVICES**

- (a) CorVel shall provide First Report Services to Customer upon receipt by CorVel of specific requests from Customer. Prior to the implementation of CorVel First Report Services and as required during the Term of this Agreement, Customer may provide CorVel with instructions regarding the scope and extent of the First Report to be performed by CorVel. Absent such instruction, CorVel First Report Services shall be performed as described below.
- (b) Customer shall initiate First Report Services by (i) entering such information online through CareMC, (ii) calling CorVel via a toll free number provided by CorVel, or (iii) faxing such information to the CorVel intake specialist. Customer or the Customer representative entering such information on CareMC, making such calls, or faxing such information shall provide CorVel with all information required to complete the First Report of Loss form required by the applicable state ("Required Information"). Required Information generally includes the following: name/address of claimant, date of incident, description of injuries, social security number, date of birth, employer, salary, and other descriptive information reasonably required by CorVel, and may include information required by applicable statute (e.g., employer TIN). CorVel shall (i) provide sufficient staff to handle all incoming calls, and (ii) be prepared to complete First Report of Loss forms for all applicable states.
- (c) Once the Required Information is validated and confirmed by a CorVel representative,

First Report of Loss forms will be made available to Customer through the CareMC Application. CorVel will, upon request of Customer, provide a hard copy of the completed First Report of Loss form to the Customer. An electronic copy shall be available to Customer via CareMC. To the extent permitted by the applicable state industrial accident board or commission, the Required Information shall be transmitted electronically.

- (d) To the extent required by applicable statute or otherwise agreed in writing by CorVel, CorVel will file additional reports on earlier-filed First Reports of Loss ("Subsequent Reports").
- (e) Unless agreed to otherwise in writing by the parties, any questions or concerns from an industrial accident board or commission concerning First Reports of Loss forms completed by CorVel hereunder will be handled directly by CorVel. All such inquiries will receive an initial response within the next business day following CorVel's receipt of the inquiry. CorVel will keep Customer apprised of any inquiries it receives and the response thereto. CorVel will send a written response to the inquiry within five (5) business days outlining the nature of the inquiry and the resolution of same by CorVel. A copy of such response will also be sent to the attention of the designated Customer representative if requested in writing by Customer. Customer shall have the right, but not the obligation, at any time and at Customer's expense, to interject itself into the inquiry between CorVel and the industrial accident board or commission, and in connection therewith to resolve the inquiry in a manner acceptable to Customer at its sole discretion, in which case Customer shall defend, indemnify and hold harmless CorVel from and against any claim, liability, damages or costs arising from Customer's handling of such inquiry or the resolution thereof.

### III. DELIVERY OF CLAIMS MANAGEMENT SERVICES

- (a) Customer shall arrange so that all claims and all related bills of any type, as well as all other correspondence that Customer receives relating to such claims, are sent directly to CorVel. CorVel shall perform all of the following "Claims Services" in connection with each portion of a Claim related to Workers' Compensation benefit payments for lost income (each an "Indemnity Claim") and one or more of such Claims Services with respect to that portion of a Claim related to Workers' Compensation benefits other than payments for lost income (each a "Non-Indemnity Claim"). All Claims Services provided by CorVel under this Agreement shall be performed in accordance with the guidelines set forth in Sections II-IV of this Exhibit A:
  - (i) CorVel shall immediately assign each new Indemnity Claim and Non-Indemnity Claim to CorVel's designated claims professional.
  - (ii) Utilizing CorVel's CareMC Application or other applicable CorVel Online System, CorVel shall maintain a chronological record of all Claims Services performed by CorVel.
  - (iii) CorVel shall make all filings related to Indemnity Claims and Non-Indemnity Claims with the appropriate state Workers' Compensation regulatory authorities.

- (iv) CorVel shall maintain a complete and accurate claim file for each Indemnity Claim and Non-Indemnity Claim.
- (v) CorVel shall perform reasonable and necessary administrative and clerical work including, without limitation, the following:
  - (A) Investigate all Indemnity Claims and Non-Indemnity Claims. .
  - (B) Determine and evaluate any coverage and/or compensability issues and provide Customer with appropriate recommendations and advice regarding the same.
  - (C) Adjust, handle, or settle to a conclusion those Indemnity Claims and Non-Indemnity Claims that CorVel believes the Customer is legally obligated to pay under applicable state law and regulations, and in accordance with the authority granted to CorVel by Customer under the Agreement.
  - (D) Prepare checks for payments of Indemnity claims, Non-Indemnity Claims and Allocated Loss Adjustment Expenses.
  - (E) Prepare documents as necessary to close out Indemnity Claims and Non-Indemnity Claims.
- (b) CorVel shall process claims and process the disbursement of benefit payments to claimants and providers entitled to such payments from Customer. Funding for the payment of all benefits to claimants, providers, vendors and "allocated loss adjustment expenses" (as defined below) is the sole responsibility of Customer and Customer agrees to be liable for and fund all proper claims processed by CorVel. Such payment shall be made through a bank account established by CorVel. There shall be one account established for claims relating to both First Reports of Loss arising on or after July 1, 2014 and for claims relating to First Reports of Loss that arose prior to July 1, 2014 that were administered by JT2 (the "bank account"), if applicable (*i.e.*, if CorVel is assuming responsibility for providing Claims Administration services for claims occurring prior to the effective date of the Agreement). CorVel shall provide Customer with a check register in a mutually agreed format for each checkrun drawn on a bank account prior to mailing of the checks. CorVel also will provide Customer information as necessary for Customer to prepare periodic bank account reconciliation reports. Customer agrees to pay into the bank account funds sufficient to pay approved claims and to maintain the advance deposit set forth below and to provide CorVel with such authorizations as shall be necessary to make the required instruments valid claims against Customer. Notwithstanding the other provisions of this Agreement, if payments are not made when due, Customer shall be in default and subject to immediate termination without notice, and CorVel shall have no liability for claims, penalties or other damages arising out of or relating to any such failures on the part of Customer.
  - (i) Customer shall make an initial advance deposit into the bank account in an amount equal to Five Hundred Thousand Dollars (\$500,000).
  - (ii) "Allocated loss adjustment expenses" or "ALAE" shall mean claim adjustment costs and expenses incurred by CorVel or its subcontractor and allocated by

CorVel to the investigation, adjustment and settlement or defense of a claim for benefits, including, without limitation, attorneys' fees and disbursements, pre and post judgment interest, court reporter services and transcripts, deposition charges and transcripts, fees for service of process, court costs, courier/express mail, long distance, appeal bonds, printing costs related to trials and appeals, witness and expert fees, medical examination and review, laboratory costs, engineering, independent adjuster fees, surveillance, photography, and similar costs and expenses reasonably incurred and related to the investigation and defense of claims or the protection and collection of subrogation rights of the Customer.

- (c) CorVel shall provide Customer with payment services through Check Writing services in accordance with specifications mutually agreed by Customer and CorVel.
  - (i) The checks referred to in Section II(d) will be drawn on CorVel's account at Wells Fargo Bank, Portland, Oregon or CorVel's account at such other bank as the parties of this Agreement may mutually accept, as evidenced by a letter or written document signed by both parties (hereafter, the "Bank"), with Customer identified on each check as the insurer or any insurance carrier as such may be required. Check Writing services shall also include IRS form 1099 filing and associated follow-up, bank reconciliation, and bank fees specifically related to such processing if Customer is using CorVel's bank account. Otherwise, such services will be subject to an additional fee.
- (d) CorVel agrees to provide the following services to Customer relating to the processing and payment of claims:
  - (i) to receive claims and process payment of benefits in accordance with applicable State(s) program guidelines required for the payment of workers' compensation claims;
  - (ii) to correspond with the claimants, providers of services and vendors if additional information is deemed necessary to complete the processing of claims;
  - (iii) to determine the amount of benefits payable;
  - (iv) to provide notice to claimants as to the reason(s) for denial of benefits (when such are denied) and to provide for the review of such denied claims;
  - (v) to receive and process for payment claims for benefits incurred prior to the Effective Date in consideration for the separate fees established in Exhibit B; and
  - (vi) at Customer's request, to provide specified additional services for such fees as the parties mutually agree;
- (e) Subject to applicable law, all claims files, data, systems and records and associated documents and notices regarding the administration of claims and provision of services pursuant to this Agreement and the payment of claims and allocated loss adjustment expenses, may be audited, examined, and copied by Customer, its representatives, excess carriers, reinsurers or any state insurance department or other regulatory body

that so requires, at Customer's expense, at any time or times during CorVel's normal business hours and with not less than thirty (30) days advance notice; and notwithstanding anything to the contrary contained in this Agreement.

- (f) CorVel is and shall remain an independent contractor with respect to the services being performed hereunder and shall not for any purpose be deemed an employee of Customer, nor shall CorVel and Customer be deemed partners, joint venturers or governed by any legal relationship other than that of independent contractor as set forth herein. CorVel does not assume any responsibility for the adequacy of the funding of benefits or any act or omission or breach of duty by Customer.
- (g) CorVel is not in any way to be deemed an insurer, underwriter or guarantor with respect to any benefits payable under Customer's workers' compensation program.
- (h) CorVel may rely on instructions received from such person or persons as Customer may from time to time designate in writing, provided that no such instruction may vary the terms of this Agreement.
- (i) Unless otherwise directed by Customer or precluded by law, CorVel shall seek subrogation recoveries on behalf of Customer and shall provide Customer with any recoveries obtained, minus the attorneys' fees and costs incurred in obtaining such recoveries. Customer represents and warrants that its workers' compensation program provides for rights of subrogation. Customer delegates and/or assigns these subrogation rights and third party recovery rights to CorVel as its agent for purposes of subrogation only. Customer shall assist CorVel in its subrogation efforts by providing requested information and documentation. CorVel may engage the services of a subrogation management firm to assist with the identification and management of subrogation cases. The fees charged by the subrogation management firm will be deducted from any recovery. In those cases where the subrogation recovery efforts of the claimant's attorney should be compensated, Customer delegates to CorVel full authority to act on behalf of the Customer to negotiate reasonable attorneys' fees. In those instances where Customer's subrogation lien, in the opinion of CorVel, should be compromised or abandoned, Customer delegates to CorVel full authority to act on behalf of Customer to compromise or abandon the lien. Any determination by CorVel with respect to subrogation liens shall be final and conclusive, unless overturned by order of a limited arbitrary and capricious standard of review.
- (j) CorVel shall consult and cooperate with Customer with respect to any loss or claim resulting in a lawsuit being instituted against Customer. Nothing in this paragraph shall be construed in any way as a waiver by CorVel of any attorney/client, work product or other applicable privilege with respect to any materials or documents prepared by CorVel or its counsel in anticipation of litigation.
- (k) CorVel shall assist, cooperate and participate with Customer, carriers and reinsurers in connection with claim reviews and audits and catastrophic injury claim analysis and excess claim related reporting.

#### IV. SERVICE CRITERIA, STANDARDS AND GUIDELINES

- (a) Assignments: Customer will notify CorVel, either via CareMC, telephone or facsimile,

that Customer's employee has sustained a work related injury. All new Lost Time claims will be acknowledged and established by CorVel within the next business day following such notice. The acknowledgement will included the name and contact information of the assigned Adjuster.

- (b) Contacts: As warranted, and always with regard to lost time, or anticipated lost time claim situations, initial contact with the injured employee will be made within the next business day following receipt of a new assignment claim. Contact with the Physician, and employer, if required will be made by the next business day.
- (c) Investigation: Completed and documented within 30 days from date of assignment.

**EXHIBIT B**  
**Fees**

(1) During Initial Term. Fees during the Initial Term of this Agreement shall be as follows:

**Claims Administration\***

Description	Pricing
<b>Flat Annual Fee –Year One (option #1)</b> Up to 50 new MO 72 new IND claims annually Per claim fee after maximum number of claims:	\$198,267.00
Medical-Only	\$ 175.00
Indemnity	\$ 1,495.00
First Notice of Loss Intake Submitted via Care <sup>MC</sup>	No Charge
Incident Only Reporting Submitted via Care <sup>MC</sup>	No Charge
24/7 Nurse Triage	No Charge
Data Conversion	No Charge
CareMC User IDs (online claim system access) Up to 5 Users	No Charge
Annual Banking Fees	One Wells Fargo Account
Subrogation	25% of Recoveries
Indexing	\$10.00 per Index

*\*All existing open claims are included in the flat annual fee above. The above pricing per claim is based on handling of all claims that occur and are reported during the agreement period. They will be handled until closed or until the end of the agreement period, whichever comes first. Pricing is valid for first year of contract. After year 1, all flat rate fees are subject to 3 % annual increase dating from contract inception*

**Medical Bill Review Services\***

Description	Pricing
Bill Review	\$20.00 per bill
State EDI	Included
Scanning/OCR	Included
PPO, Enhanced Bill Review, Professional Review & Pharmacy (CCR)	Included
Checkwriting	Included
Initial 1099 provider notification letter	Included

**Clinical Pain Management**

Description	Pricing
Medication Review Services	\$ 200.00 per hour
Physician Case Management	\$ 300.00 per hour*

\*Physician Case Management Administration rate at \$50 per hour.

#### Patient Management

Type of Case Management	Pricing
Telephonic Case Management	\$ 110.00 per hour
Field Case Management*	\$ 110.00 per hour
Utilization Review	\$ 110.00 per review
Peer Review	\$ 230.00 per hour

\* Prevailing IRS mileage rate.

#### CA MPN

Description	Pricing
State Filing of MPN application Contract	Included
Employee notification	\$1.00/employee
Employee enrollment and education material	Pass through cost
MPN posting notices	Pass through cost

(2) Fees During Renewal Terms: CorVel shall increase the Fees associated with the above Services annually on the effective date of the Renewal Term. Such increase shall be equal to the greater of: (i) three percent (3%) or (ii) the percentage increase in "CPI" for the immediately available preceding twelve (12) month period plus two percent (2%). For the purposes of this Agreement, "CPI" means the Consumer Price Index U.S. City Average for Urban Wage Earners and Clerical Workers, All Items, of the United States Bureau of Labor Statistics (1982-1984=100). If the manner in which such CPI as determined by the Bureau of Labor Statistics is substantially revised, an adjustment will be made in such revised index which would produce results equivalent, as nearly as possible, to those which would have been obtained had the CPI not been so revised. If the 1982-1984 average is no longer used as the index of 100, such change shall constitute a substantial revision.

(3) Fees for Additional Professional Services: If Customer requires any additional professional services from CorVel relating to the Services or the CareMC Application, including but not limited to integration of the CareMC Application with EDI or other Customer systems, Customer shall submit a written request to CorVel for such services. CorVel shall, in good faith, consider providing such services at its then-current professional services fee rate and standard terms and conditions.

(4) Fees Adjustments for Regulatory Changes: If, at any time during the Term of this Agreement, regulatory or legislative changes impact CorVel's business operations and add to CorVel's costs of providing the Services, CorVel may (a) increase its fees for one or more Services upon written notice to Customer, or (b) terminate this Agreement upon ninety (90) days written notice to Customer.

## CORVEL ENTERPRISE COMP, INC. CAREMC LICENSE AGREEMENT

This CareMC License Agreement (this "License Agreement") is entered into as of May 13, 2014 (the "Effective Date") by and between CorVel Enterprise Comp, Inc., a wholly-owned subsidiary of CorVel Corporation ("CorVel"), 2010 Main Street, Suite 600, Irvine, CA 92614 ("CorVel") and City of Salinas, a California charter city and municipal corporation ("Customer").

### RECITALS

WHEREAS, CorVel has developed a proprietary software solution (the "CareMC Application") which is accessible via the CorVel web site located at URL www.caremc.com (the "CareMC Site"), through which CorVel provides its customers with the option of utilizing certain Managed Care Services, including certain Bill Review Services, online (such automated and online components of CorVel's Managed Care Services, "Online Services"); and

WHEREAS, CorVel provides its customers with the option of accessing certain Managed Care Services by means of CorVel's proprietary software solution (the "CareMC Application") via the CorVel web site located at the URL "www.caremc.com" (the "CareMC Site"); and

WHEREAS, CorVel and Customer have entered into the Agreement for Professional Services; and

WHEREAS, Customer desires to be provided with access to and use of the CareMC Application by means of an Internet browser under the terms and conditions set forth in this License Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, the promises made herein, and other good and valuable consideration the receipt which is hereby acknowledged, the parties agree as follows:

### 1. ACCESS TO THE CAREMC APPLICATION

A. Terms of Use. The parties acknowledge and agree that the terms and conditions under which particular Managed Care Services are provided by CorVel and the terms and conditions under which Customer may access and use the CareMC Application in order to utilize the online and automated components of such Managed Care Service (the "Online Services") shall be governed by the terms and conditions of this License Agreement.

B. Registration Information. Prior to accessing the CareMC Application, Customer shall provide CorVel with certain registration information requested therein ("Registration Information"). Customer represents and warrants that (i) the Registration Information Customer provides is true, accurate, current and complete, and (ii) the Registration Information will be updated as necessary to keep such data true, accurate, current and complete.

C. Passwords and Levels of Access. As soon as practicable after the execution of this License Agreement, CorVel shall provide a master password to Customer that allows Customer initial access to the Online Services (the "Master Password"). Customer shall then designate two groups of Authorized Users. The first group of Authorized Users ("Restricted Users") shall have access to all data available on the CareMC Site except data that constitutes or contains "protected health information" ("PHI Data") as such term is defined in 45 CFR Section 164.501 of the regulations promulgated by the U.S. Department of Health and Human Services under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 ("HIPAA"). Each Restricted User shall initially access the Online Services by means of the Master Password, then shall be required to choose his/her own unique password (each, a "Restricted Password") for all future access. The second group of Authorized Users ("Non-Restricted Users") shall have access to all data available through the CareMC Application, including PHI Data, but shall only have access to PHI Data to the extent necessary for Customer to render payment on a claim, and then only to those portions or amounts of PHI Data that are determined by CorVel, in its sole discretion, to be the minimum necessary for Customer to render payment on such claim. Each Non-Restricted User will be required to choose a second unique password (each, a "Non-Restricted Password") which will enable his/her to access PHI Data on the foregoing terms.

D. Non-Restricted Users. Customer represents and warrants to CorVel that each Non-Restricted User who accesses PHI Data will do so solely in order for Customer to render payment on the applicable claim.

E. Security of Passwords. Customer acknowledges and agrees that it shall be solely responsible for (i) selecting Authorized Users, (ii) assigning the various levels of authority and access each Authorized User may have to the CareMC Application, Online Services and Customer Data, including by determining which Authorized Users shall be Non-Restricted Users, (iii) ensuring that only Authorized Users have access to the Master Password, only Restricted Users have access to the Restricted Passwords and only Non-Restricted Users have access to Non-Restricted Passwords, (iv) implementing a system to control, track and account for all Restricted Passwords and Non-Restricted Passwords, (v) strictly maintaining the confidentiality and integrity of the Master Password, Restricted Passwords and Non-Restricted Passwords and levels of authority among Authorized Users, and (iv) ensuring that Authorized Users shall at all times comply with the terms and conditions of this License Agreement. Customer further agrees that it shall notify CorVel immediately in writing if the security or integrity of a password has been compromised.

F. Customer Data. Responsibility for ensuring that the content and data input into the CareMC Application by Customer or Authorized Users ("Customer Data") is accurate, reflects Customer's requirements and is entered correctly lies solely with Customer. All data generated by and through Customer's use of the CareMC Application and Online Services shall reside on

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CorVel's server. CorVel reserves the right to temporarily suspend access to any Customer Data that it determines, in its sole discretion, violates the terms and conditions of this License Agreement or any applicable laws.

G. Use of Customer Data. CorVel shall have the right to use Customer Data to fulfill its obligations under this License Agreement. Further, nothing shall prohibit CorVel from using aggregate, non-identifying, statistical data generated through its customers', including Customer, use of the CareMC Application, Online Services and CareMC Site for marketing purposes, provided that CorVel shall not use or disclose any such data or information in a manner that would reveal the identity of, or other confidential information concerning, Customer. Such aggregate, non-identifying statistical data could include, without limitation, statistics regarding the usage of, number of case referrals generated by and/or efficiencies gained by CorVel customers through their use of the CareMC Application, Online Services and/or CareMC Site.

H. Changes to the CareMC Application. CorVel reserves the right, at any time in its sole discretion and without liability to Customer, to delete or change features of the CareMC Application, CareMC Site or Online Services provided such changes do not materially alter the functionality, efficiency or performance of the CareMC Application.

## 2. LICENSE AND RESTRICTIONS

A. Limited License. Subject to the terms and conditions of this License Agreement, CorVel grants to Customer during the License Term (as defined in Section 8A below) a limited, non-exclusive, non-transferable, non-sublicensable license to access and use, and allow Authorized Users to access and use, the CareMC Application via the CareMC Site solely for Customer's own internal business use and operations. Customer shall access and use the CareMC Application in accordance with the user's guides and online instruction provided to Customer by CorVel ("Documentation") and all applicable laws, statutes, rules and regulations.

B. Restrictions. Customer shall not, and shall not allow Authorized Users or any third party to (i) rent, lease, re-license or otherwise provide access to the CareMC Application or Online Services to any third party, (ii) alter, modify or create derivative works of the CareMC Application, (iii) use any reverse compilation, decompilation or disassembly techniques or similar methods to determine any design structure, concepts and construction method of the CareMC Application or replicate the functionality of the CareMC Application for any purpose, or (iv) copy the CareMC Application or any content, materials, information and other data provided by CorVel on the CareMC Site or used in providing the Online Services ("CorVel Content") and/or Documentation without CorVel's prior written consent.

C. Third Parties. Customer shall not allow any third party to have access to the CareMC Application or Online Services without prior written consent of CorVel and ensuring that (i) such third party enters into a legally enforceable written agreement with CorVel, or (ii) such third party enters into a legally enforceable written agreement with Customer consistent with the terms of this License Agreement and which shall include terms at least as protective of CorVel as the following Sections of this License Agreement: Sections 1B, 1D, 1E, 1H, 2B, 2D, 3B, 3I, 4A-4C and 9.

D. Ownership. CorVel owns and shall retain all right, title and interest in and to the CareMC Application, Documentation, CareMC Site, Online Services, CorVel Content and any intellectual property rights inherent therein or arising therefrom. In addition to CorVel's rights in the individual elements of the CorVel Content, CorVel owns a copyright in the selection, coordination, arrangement and enhancement of the CorVel Content. Neither Customer nor any Authorized User shall obtain any ownership rights, express or implied, or any other rights other than those expressly set forth herein in the CareMC Application, Documentation or CorVel Content.

E. Compliance Monitoring and Audits. CorVel may monitor and, at its expense, perform an audit of Customer's use of the CareMC Application and CareMC Site to verify that Customer and Authorized Users are using the CareMC Application in compliance with the terms of this License Agreement. CorVel reserves the right to temporarily suspend Customer's or any Authorized User's access to the CareMC Application in the event Customer or such Authorized User engages in, or CorVel in good faith suspects is engaged in, any unauthorized conduct. CorVel shall use reasonable efforts to immediately notify Customer in writing of its suspension in services, the reasons for such suspension, including the facts and circumstances it believes constitute Customer's unauthorized conduct and shall agree to a reasonable time to conduct the review of the suspension in access. To the extent CorVel requires access to Customer's facilities to conduct an audit hereunder, such access shall be made upon reasonable notice and conducted during Customer's regular business hours. If an audit conducted during any portion of the Term in which Customer is required to pay fees under this Agreement reveals that Customer has underpaid fees to CorVel or is using the CareMC Application beyond the license restrictions and/or any terms of this Agreement, Customer will be invoiced for any such underpaid fees and will pay CorVel's reasonable expenses associated with such audit. The foregoing remedies shall be in addition to, and shall not limit CorVel's ability to terminate this Agreement based on material breach or pursue damages or other remedies available under law and equity.

## 3. INFRASTRUCTURE, MAINTENANCE AND SUPPORT

A. CorVel Infrastructure Obligations. Subject to Customer's compliance with the terms and conditions of this License Agreement, CorVel shall be responsible for providing and maintaining the hardware, software and other equipment required to host the CareMC Application for Customer ("CareMC Infrastructure"). The CareMC Infrastructure is subject to modification by CorVel from time to time for purposes such as adding new functionality, maximizing operating efficiency and upgrading hardware, provided such modifications shall not in the aggregate degrade the performance of the Online Services utilized by Customer. Customer understands and acknowledges that such modifications may require changes to Customer's Internet access

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and/or telecommunications infrastructure to maintain Customer's desired level of performance. CorVel shall give Customer reasonable prior written notice of any such modifications.

B. Customer Infrastructure Obligations. Except for the CareMC Infrastructure, which will be provided by CorVel, Customer shall be responsible for obtaining and maintaining all hardware, software, equipment, Internet access and/or telecommunications services and other items or services furnished by third party vendors or providers ("Third Party Providers") required to enable Customer to access and use the CareMC Application and CareMC Site as contemplated hereunder.

C. Support. CorVel will provide general support regarding questions on the CareMC Application and CareMC Site via email and by telephone from Monday through Friday between the hours of 5:00 a.m. and 6:00 p.m. Pacific Standard Time, excluding holidays.

D. Scheduled Maintenance. CorVel will use reasonable efforts to (i) perform any scheduled downtime outside of Customer's normal business hours, (ii) notify Customer of all scheduled downtimes at least seventy-two (72) hours in advance, and (iii) perform software updates to the CareMC Application with minimal disruption to Customer's use of the Online Services.

E. System Monitoring. CorVel will use reasonable efforts to continuously monitor its web servers and database servers to ensure that they are functioning properly.

F. Security. CorVel will implement and use reasonable efforts to maintain secure systems through the use of firewalls, virtual private networks (VPN), and other security technologies. CorVel will use reasonable efforts to immediately report to Customer any security violations that affect the data of Customer.

G. Disaster Recovery and Backup. CorVel will use reasonable efforts to perform nightly backups of essential data on its web servers and database servers. CorVel has implemented third party backup and restoration technology to enable high speed recovery of data. CorVel utilizes redundant load balanced Win 2000 servers for 24x7, 365 day access, except for regularly scheduled system maintenance and upgrade processes. SQL Server databases are hosted on clustered servers offering fail-over capability, redundant communication links, and load balanced application servers. Backup tapes are restored into a test environment not less than quarterly to confirm validity of backups. The CareMC Site has redundant inbound Internet and Intranet connectivity.

H. Professional Managed Care Services. If Customer requires any additional professional services relating to the CareMC Application or Online Services from CorVel including but not limited to integration with Customer's electronic data interfaces (EDIs) or other Customer systems, Customer shall submit a written request to CorVel for such services. CorVel shall, in good faith, consider providing such services at its then-current professional services fee rate and standard terms and conditions.

#### 4. REPRESENTATIONS AND WARRANTIES

A. Customer Representations. Customer represents that (i) it has the legal authority to provide the Customer Data to CorVel hereunder, and (ii) it is fully aware and knowledgeable of and shall comply with its duties and responsibilities with respect to the privacy and confidentiality of medical records and protected health information under applicable federal and state laws, including but not limited to those imposed by HIPAA. Upon written notice to Customer, CorVel may modify or temporarily suspend Customer's access to and use of the CareMC Application, Online Services and/or CareMC Site as necessary to comply with any law or regulation.

B. CorVel Warranties. CorVel warrants that (i) it shall use commercially reasonable professional practices and good workmanship in providing the CareMC Application, and (ii) Customer support will be performed consistent with generally accepted industry standards. These warranties extend only to Customer.

C. Exclusive Remedy. For any breach of the foregoing warranties, CorVel's entire liability and Customer's exclusive remedy will be the correction of the problems or errors that cause the breach of warranty, if feasible, or termination of the Agreement.

#### 5. DISCLAIMERS AND LIMITATIONS OF LIABILITY

A. Disclaimers. TO THE EXTENT ALLOWED BY APPLICABLE LAW, EXCEPT FOR THE LIMITED WARRANTIES DESCRIBED IN SECTION 4B ABOVE, CORVEL MAKES NO OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AND EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, GOOD TITLE, SATISFACTORY QUALITY AND NONINFRINGEMENT. CUSTOMER SPECIFICALLY ACKNOWLEDGES AND AGREES AS FOLLOWS:

(i) Internet Usage. Customer acknowledges that the Internet is essentially an unregulated, insecure and unreliable environment, and that the ability of Customer to access and use the CareMC Application is dependent on the Internet and hardware, software and services provided by various Third Party Providers. CORVEL SHALL NOT BE RESPONSIBLE FOR CUSTOMER'S INABILITY TO ACCESS OR USE THE CAREMC APPLICATION TO THE EXTENT SOLELY CAUSED BY FAILURES OR INTERRUPTIONS OF ANY HARDWARE, SOFTWARE OR SERVICES PROVIDED BY CUSTOMER OR THIRD PARTY PROVIDERS.

(ii) CareMC Application. CUSTOMER ACKNOWLEDGES AND AGREES THAT CORVEL DOES NOT WARRANT THAT THE CAREMC APPLICATION OR ONLINE SERVICES ARE ERROR FREE, THAT CUSTOMER WILL BE ABLE TO ACCESS OR USE THE CAREMC APPLICATION OR ONLINE SERVICES WITHOUT

PROBLEMS OR INTERRUPTIONS, OR THAT THE CAREMC SITE AND CAREMC APPLICATION ARE NOT SUSCEPTIBLE TO INTRUSION, ATTACK OR COMPUTER VIRUS INFECTION.

(iii) Network Intrusions. CUSTOMER AGREES THAT CORVEL WILL NOT BE LIABLE FOR DAMAGES ARISING FROM ANY BREACH, UNAUTHORIZED ACCESS TO, MISUSE OF, OR INTRUSION INTO, CUSTOMER DATA RESIDING ON CORVEL'S SERVER(S) OR ANY NETWORK USED BY CUSTOMER TO THE EXTENT SUCH DAMAGES WERE BEYOND CORVEL'S REASONABLE CONTROL.

B. Exclusion of Damages.

(i) Exclusion of Damages. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING BUT NOT LIMITED TO LOST PROFITS OR LOST REVENUES) UNDER THIS AGREEMENT, WHETHER OR NOT FORESEEABLE AND REGARDLESS OF WHETHER CLAIMS UNDER THIS AGREEMENT ARE BROUGHT UNDER TORT, CONTRACT OR ANY OTHER LEGAL OR EQUITABLE THEORY.

(iii) Acknowledgment. The parties acknowledge that the limitations and disclaimers set forth in this Agreement were an essential element in setting consideration under this Agreement.

## 6. INDEMNIFICATION

A. Mutual Indemnification. Subject to section 6D below, each party shall defend any third party claim against the other party arising from the death of or physical injury to any person or damage to the indemnified party's property to the extent proximately caused by the negligence of the indemnifying party or its agents or employees, and indemnify and hold harmless the other party and its respective officers, directors and employees from and against damages, liabilities and reasonable costs and expenses, including reasonable legal fees ("Losses") incurred in connection therewith.

B. Indemnification by CorVel. Subject to Section 6D below, CorVel shall defend any third party suit or action against Customer to the extent such suit or action is based on a claim that Customer's permitted use of the CareMC Application under this Agreement constitutes an infringement of a United States patent, trademark, trade name, trade secret, copyright or other United States intellectual property right, and CorVel will pay those Losses finally awarded against Customer in any monetary settlement or final, non-appealable judgment of such suit or action which are specifically attributable to such claim. This indemnity does not apply to any claims based on Customer's use of the CareMC Application (i) in violation of this Agreement or the Documentation (as defined in the CareMC License Agreement), (ii) in combination with any other software, hardware, network or system where the alleged infringement relates to such combination, or (iii) based on CorVel's compliance with Customer's instructions, designs or specifications where the alleged infringement relates to such compliance. If any portion of the CareMC Application becomes, or in CorVel's opinion is likely to become, the subject of a claim of infringement, then CorVel may, at its option and expense, procure for Customer the right to continue using the CareMC Application or replace or modify the affected portion of the CareMC Application so that it becomes non-infringing. If neither alternative is reasonably available, CorVel may terminate this Agreement. THE FOREGOING STATES CORVEL'S ENTIRE LIABILITY AND CUSTOMER'S SOLE REMEDY FOR INFRINGEMENT CLAIMS.

C. Customer Indemnification. Subject to Section 6D below, Customer shall defend, indemnify and hold harmless CorVel from Losses arising out of or relating to (i) Customer's misuse of, modification to, rejection of or failure to implement on a timely basis any of CorVel's recommendations made hereunder, (ii) acts or omissions by CorVel that were undertaken at the express direction of Customer, (iii) Customer's use of the CareMC Application in violation of the terms of the CareMC License Agreement, (iv) data or content included in or omitted from Customer Data (as defined in the CareMC License Agreement), (v) subject to Section 6A above, any claim by an employee of Customer or Customer's insureds brought against CorVel due to the recommendations made by CorVel hereunder and not caused by a breach by CorVel of its obligations hereunder in providing such recommendations, and (vi) any claim described in Section 6B(i)-(iii) above.

D. Conditions. The parties' indemnification obligations under this Section 6 are contingent upon: (i) the indemnified party giving prompt written notice to the indemnifying party of any claim under this Section (provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent, and only to the extent, that the indemnifying party shall have been actually prejudiced as a result of such failure), (ii) the indemnifying party having the right, but not the obligation, to assume sole control of the defense or settlement of the claim, and (iii) at the indemnifying party's request and expense, the indemnified party cooperating in the investigation and defense of such claim(s). If the indemnifying party assumes the defense of any claim hereunder, the indemnified party shall be entitled to participate in (but not control) such defense and to retain its own counsel, at its own expense. The indemnifying party shall not settle or consent to an adverse judgment in any such claim that adversely affects the rights or interests of the indemnified party or imposes additional obligations on the indemnified party, without the prior express written consent of the indemnified party.

## 7. INSURANCE

A. CorVel Insurance. CorVel, at its sole expense, agrees to maintain, at all times during the term of the Agreement, the required professional liability, errors and omissions, workers' compensation, general, and auto liability insurance coverages as set forth on the Certificate of Insurance provided with the executed Service Agreement.

This document contains confidential and proprietary information of the Parties and may not be disclosed or duplicated without the prior written consent of the Parties.

B. Customer Insurance. Customer, at its sole expense, agrees to keep in force comprehensive general liability insurance and professional liability insurance with coverage limits in accordance with acceptable industry standards for the term of this Agreement. Upon request by CorVel, Customer shall furnish CorVel with a certificate of such insurance. Customer shall provide CorVel with prior written notice of any cancellation, non-renewal or material change to any such insurance coverages pursuant to its insurance policies. It is agreed that Customer shall be deemed in compliance with this Section 7B by being self-insured under terms and conditions and with sufficient reserves as is customary within the industry for companies of comparable size and operations.

## 8. LICENSE TERM AND TERMINATION

A. Term. This License Agreement shall run-co-terminous with the Professional Services Agreement between CorVel and Customer unless terminated pursuant to Section 8B or 8C.

B. Termination for Convenience. Either party shall have the right to terminate this License Agreement for any reason or for no reason, upon ninety (90) days written notice to the other party.

C. Termination for Cause. This License Agreement may be terminated by either party for cause as follows: (i) upon thirty (30) days written notice if the other party breaches or defaults under any material provision of this Agreement and does not cure such breach prior to the end of such thirty (30) day period, (ii) effective immediately and without notice if the other party ceases to do business, or otherwise terminates its business operations, except as a result of an assignment, as permitted under the terms and conditions of this License Agreement, or (iii) effective immediately and without notice if the other party becomes insolvent or seeks protection under any bankruptcy, receivership, trust deed, creditors arrangement, composition or comparable proceeding, or if any such proceeding is instituted against the other (and not dismissed within ninety (90) days).

D. Effect. Except to the extent expressly provided to the contrary herein, any right of action for breach of the License Agreement prior to termination, and the following provisions shall survive the termination of this License Agreement: Sections 1G, 2D, 4, 5 and 6. Additionally, upon termination or expiration of the License Agreement (i) CorVel shall provide Customer with any proprietary data belonging to Customer, in the current format in which it is stored at CorVel at the termination of the License Agreement, (ii) all licenses granted under this License Agreement shall terminate immediately, (iii) all rights to use the CareMC Application and Online Services shall cease immediately, and (iv) each party shall promptly return all information, documents, manuals and other materials belonging to the other party related to this License Agreement, whether in printed or electronic form, except as otherwise provided in this License Agreement, including without limitation all confidential information of the other party then currently in its possession.

E. Funding Out Clause. This agreement depends on continued availability of appropriated funds and expenditure authority from the Legislature for this purpose. If for any reason the Legislature fails to appropriate funds or grant expenditure authority, or funds become unavailable by operation of law or federal funds reductions, this Agreement will be terminated by Customer upon a thirty (30) day prior written notice. Termination for any of these reasons is not a default by the Customer nor does it give rise to a claim against Customer.

## 9. CONFIDENTIALITY

A. Definition of Confidential Information. "Confidential Information" shall mean any non-public data, information and other materials regarding the products, services or business of a party (and/or, if either party is bound to protect the confidentiality of any third party's information, of a third party) provided to either party by the other party where such information is marked or otherwise communicated as being "proprietary" or "confidential" or the like, or where such information should, by its nature, be reasonably considered to be confidential and/or proprietary. Without limiting the foregoing, the parties agree that (i) the CareMC Application, Documentation, CorVel Content (as defined in the in the CareMC License Agreement) and all software, source code, source documentation, inventions, know-how, and ideas, updates and any documentation and information relating thereto constitutes Confidential Information of CorVel, (ii) the Customer Data (as defined in the CareMC License Agreement) constitute Confidential Information of Customer, and (iii) this Agreement, the Exhibits and Schedules attached hereto, and the terms and conditions set forth herein and therein are Confidential Information of both parties.

B. Disclosure and Use of Confidential Information. The Confidential Information disclosed by either party ("Disclosing Party") to the other ("Receiving Party") constitutes the confidential and proprietary information of the Disclosing Party and the Receiving Party agrees to treat such Confidential Information in the same manner as it treats its own similar proprietary information, but in no case will the degree of care be less than reasonable care. The Receiving Party shall use the Confidential Information of the Disclosing Party only in performing under this Agreement and shall retain the Confidential Information in confidence and not disclose it to any third party (except as authorized under this Agreement) without the Disclosing Party's express written consent. The Receiving Party shall disclose the Disclosing Party's Confidential Information only to those employees and contractors of the Receiving Party who have a need to know such information for the purposes of this Agreement, and such employees and contractors must be bound by this Agreement or have entered into agreements with the Receiving Party containing confidentiality provisions covering the Confidential Information with terms and conditions at least as restrictive as those set forth herein.

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C. Exceptions. Notwithstanding the foregoing, the parties' confidentiality obligations hereunder shall not apply to information which: (i) is already known to the Receiving Party prior to disclosure by the Disclosing Party, (ii) becomes publicly available without fault of the Receiving Party, (iii) is rightfully obtained by the Receiving Party from a third party without restriction as to disclosure, (iv) is approved for release by written authorization of the Disclosing Party, (v) is developed independently by the Receiving Party without use of or access to the Disclosing Party's Confidential Information, or (v) is required to be disclosed by law, rule, regulation, court of competent jurisdiction or governmental order, provided, however, that the Receiving Party shall advise the Disclosing Party of the Confidential Information required to be disclosed promptly upon learning thereof in order to afford the Disclosing Party a reasonable opportunity to contest, limit or assist the Receiving Party in crafting the disclosure, and then such disclosure shall be made only to the extent necessary to satisfy such requirements.

D. Use of Data. Nothing shall prohibit CorVel from using aggregate, non-identifying, statistical data generated through its customers', including Customer, use of the CareMC Application and Online Services for analytical purposes, provided that CorVel shall not use or disclose any such data or information in a manner that would reveal the identity of, or other confidential information concerning, Customer. Such aggregate, non-identifying statistical data could include, without limitation, statistics regarding usage of the CareMC Application and Online Services, the number of case referrals generated through the CareMC Application and Online Services and the efficiencies gained by CorVel customers through their use of the CareMC Application and Online Services.

## 10. GENERAL PROVISIONS

A. Choice of Law. This Agreement shall be governed by and construed under the laws of the State of California and the United States without regard to conflicts of laws provisions thereof. The parties expressly agree that the United Nations Convention on Contracts for the International Sale of Goods is specifically excluded from application to this Agreement. The parties submit to the jurisdiction of the United States federal courts for the Northern District of California and agree, that said courts have the sole and exclusive jurisdiction over any cause of action arising under or in connection with this Agreement.

B. Compliance with Laws. Both parties shall comply with all federal, state, and local laws, regulations, ordinances, guidelines, permits and requirements applicable to providing services pursuant to this Agreement, and will be solely responsible for obtaining current information on such requirements.

C. Contacts for Notices. All written notice required or permitted hereunder shall be in writing and shall be sufficient if personally delivered or sent by facsimile or internationally recognized delivery service to the address or fax number set forth below, unless such address or fax number is changed by notice, to the other party, as permitted hereunder. Any notices shall be deemed given on the date received, as indicated (i) by receipt of electronic answer back in the case of facsimile, or (ii) the records of the delivery service, if by courier.

If to CorVel:

CorVel Corporation  
2010 Main Street, Suite 600  
Irvine, California 92614  
Attn: Director, Legal Services  
Phone: (949) 851-1473  
Fax: (866) 434-2469  
Email: Corporate\_Legal@corvel.com

If to Customer:

City Manager  
City of Salinas  
200 Lincoln Avenue  
Salinas, CA 93901

with a copy to: City Attorney  
City of Salinas  
200 Lincoln Avenue  
Salinas, CA 93901

D. Assignment. Neither this Agreement nor any rights, licenses or obligations hereunder, may be assigned by either party without the prior written consent of the non-assigning party. Notwithstanding the foregoing, CorVel may assign this Agreement to any acquiror of all or of substantially all of CorVel's equity securities, assets or business related to the subject matter of this Agreement. Any attempted assignment in violation of this Agreement shall be void and without effect.

E. Severability. Should any term of this Agreement be declared void or unenforceable by any arbitral tribunal or court of competent jurisdiction, such declaration shall have no effect on the remaining terms hereof, which shall continue in full force and effect.

F. Waiver. The failure of either party to enforce any rights granted hereunder or to take action against the other party in the event of any breach hereunder shall not be deemed a waiver by that party as to subsequent enforcement of rights or subsequent actions in the event of future breaches.

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G. Relationship of the Parties. The relationship of CorVel and Licensee established by this Agreement is that of independent contractors, and nothing contained in this Agreement shall be construed (i) to give either party the power to direct or control the day-to-day activities of the other, or (ii) to constitute the parties as partners, franchisee-franchiser, joint venturers, co-owners or otherwise as participants in a joint or common undertaking, or otherwise give rise to fiduciary obligations between the parties.

H. Force Majeure. Except for the obligation to make payments, nonperformance by either party shall be excused to the extent that performance is rendered impossible by war, acts of terrorism, strikes, fire, flood, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the control of the non-performing party.

I. Entire Agreement. This Agreement constitutes the entire, final, complete and exclusive agreement between the parties and supersedes all previous agreements or representations, oral or written, relating to the subject matter of this Agreement. This Agreement may not be modified or amended except in writing signed by a duly authorized representative of each party. Both parties acknowledge having read the terms and conditions set forth in this Agreement and all attachments hereto, understand all terms and conditions, and agree to be bound thereby.

J. Counterparts. This Agreement may be executed in two counterparts, each of which shall be an original and together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties by their duly authorized representatives have executed this Agreement as of the Effective Date set forth above.

**CORVEL ENTERPRISE COMP, INC.**

By: Richard Schwapp  
Name: Richard Schwapp  
Title: Director Secretary  
Date: 5/12/14

**CITY OF SALINAS**

By: [Signature]  
Name: Ray Corpus  
Title: City Manager  
Date: 5-21-14

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**REPORT TO THE  
CITY COUNCIL**  
*City of Salinas, California*

DATE: May 20, 2014

FROM: Jim Pia, Assistant City Manager

BY: Marina Horta-Gallegos, Senior Human Resources Analyst

SUBJECT: **WORKERS' COMPENSATION THIRD PARTY  
ADMINISTRATOR (TPA) PROFESSIONAL SERVICES AGREEMENT**

**RECOMMENDATION:**

It is recommended that the City Council adopt the attached Resolution authorizing the City Manager to sign a Professional Services Agreement (PSA) with CorVel Enterprise Comp, Inc. for the administration of the City's Workers' Compensation Program.

**DISCUSSION:**

Since 1979 the City has been self-insured for Workers' Compensation (WC) liabilities. The self-insured program is administered by the Human Resources Division and funding is provided through an Internal Service Fund (ISF). The City utilizes a third-party administrator (TPA) for claims administration services that also serves in an advisory role to City staff by making recommendations on the appropriate disposition (settlement or denial) of claims. TPAs have personnel with specialized skills and certifications required to effectively and efficiently handle workers' compensation case loads. TPAs assist with WC claims management, mandatory reporting requirements, management information system, claims processing, medical management, utilization review, bill review, and return to work programs.

Since 2001 the City has contracted with JT2 Integrated Resources (JT2) for claims administration. In January 2014, Human Resources issued a Request for Proposal (RFP) for workers' compensation third-party administration. The RFP was published locally and was issued to 15 firms. The RFP assessed: 1) claims handling philosophies; 2) risk management information system; 3) medical management; 4) return to work and safety programs; and 5) pricing. Nine firms responded to the RFP.

Human Resources impaneled an RFP review team to evaluate four finalists: CorVel, Intercare Holdings, JT2 Integrated Resources, and TriStar. The RFP review panel consisted of the City Attorney, Human Resources Analyst, Deputy Police Chief, an outside Risk Manager, and the City's Insurance broker. Following the panel interviews of March 12, 2014, CorVel was selected as the top candidate to assume handling of the City's workers' compensation program. CorVel demonstrated superior skills and experience in all matters concerning claims administration and medical management. The proposed claims handling team is experienced and familiar with public sector

claims administration. The review team believes CorVel best matches the needs of the departments and the interests of the City. Overall, CorVel ranked highest and provided the most competitive pricing at \$198,267 for year one of claims handling, with the second lowest bid at \$229,605 per year.

The new rate for services will decrease 15% (\$32,383) from the current annual fee of \$230,550 to \$198,267 in year one. The Professional Services Agreement provides annual price increases of 3% in years two and three.

**ISSUE:**

Should the City Council approve the attached Resolution authorizing the City Manager to sign the Professional Services Agreement between the City and CorVel for workers' compensation third party administration services?

**FISCAL IMPACT:**

The recommended action will allow the City and CorVel to enter into a Professional Services Agreement for a three (3) year term, effective July 1, 2014 with a provision for an extension of up to two years by agreement of the parties.

This contract will decrease the City's current annual claims handling fees from \$230,550 to \$198,267 (15%) in year one. Subsequent year increases will be as follows:

- Year 2 \$204,215
- Year 3 \$210,241
- Year 4 \$219,564
- Year 5 \$230,550

In addition, the Agreement provides for significant cost containment savings in bill review fees at a flat fee of \$20.00 per bill reviewed. The new rate for bill review fees represents a decrease of 49% compared to the current bill review fee of \$39.00 per bill. Human Resources anticipates annual savings of approximately \$50,000 in bill review fees.

**TIME CONSIDERATIONS:**

The existing contract with JT2 expires on June 30, 2014.

**ALTERNATIVES:**

1. The Council may adopt the attached Resolution and approve the Agreement for third party administration services with CorVel for a three-year term as proposed.
2. The City Council may request staff to extend the contract with JT2 Integrated Resources for a one year term and continue to review other options for third party administration. This action is not recommended.
3. The Council may choose to require that other vendors be considered for workers' compensation TPA services. This action is not recommended at this time.

**CITY COUNCIL GOALS:**

Approval of the agreement with CorVel supports the Council's goal of Organizational Effectiveness by maintaining continuity of the claims handling procedures within the City.

**CONCLUSIONS:**

The current TPA contract expires June 30, 2014. As a result of a thorough RFP process, CorVel has been identified by the review team as the top candidate from the nine (9) firms submitting proposals. CorVel has extensive experience administering municipal workers' compensation claim programs. CorVel currently contracts with the City of San Mateo, City of Stockton, County of Santa Barbara, and the County of Tulare, among various other agencies in California.

Staff recommends that the City Council approve the professional services agreement with CorVel for third-party workers' compensation claims administration services for a three (3)-year term; and authorize the City Manager to execute the attached Professional Services Agreement.

Distribution

City Council  
City Manager  
City Attorney  
Department Directors

Back-Up Pages:

Resolution  
Professional Services Agreement

RESOLUTION NO. \_\_\_\_\_ (N.C.S.)

RESOLUTION AUTHORIZING THE CITY MANAGER TO SIGN A PROFESSIONAL SERVICES AGREEMENT WITH CORVEL ENTERPRISE COMP, INC. FOR THE ADMINISTRATION OF THE CITY'S WORKERS' COMPENSATION PROGRAM.

BE IT RESOLVED BY THE CITY COUNCIL OF SALINAS that the City Manager is authorized and directed for and on behalf of the City of Salinas to sign the attached Professional Services Agreement between the City of Salinas, a municipal corporation, and CorVel Enterprise Comp, Inc., for workers' compensation third party administrative services from July 1, 2014 until June 30, 2017.

PASSED AND ADOPTED this 20<sup>th</sup> day of May 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Joe Gunter, Mayor

ATTEST:

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Patricia Barajas, City Clerk